

# 2011-12 – 1<sup>st</sup> QUARTER STATUS REPORT – Chief Operating Investment Officer (J. Guillot)

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## Quantitative Performance Measures

### Total Fund Performance

Weight	Performance Measure	Incentive Schedule	1 <sup>st</sup> Quarter Status
40%	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC} *Cost-adjusted Benchmark	-13 basis points = 0 +13 basis points = 1.0 27 basis points = 1.5	+16 bps {(7.00) – (7.16)}

### Affiliate Investment Program Performance

Weight	Performance Measure	Incentive Schedule	1 <sup>st</sup> Quarter Status
10%	Excess return in basis points relative to benchmark for Legislators, Retirement Systems Fund, Judges' Retirement System fund, CA Employers' Retiree Benefit Trust Fund, Long-term Care Fund, CalPERS Custom 457 Plan Index Performance Benchmark. {SKZRA1 – CPERAIPD}	0 basis points = 0 +10 basis points = 1 +15 basis points = 1.5	-41 bps {(9.10) – (8.69)}

### Operational Excellence – Straight-thru Processing

Weight	Performance Measure	Incentive Schedule	1 <sup>st</sup> Quarter Status
5%	Excess performance over industry affirmation average for Domestic Equity, International Equity and Domestic Fixed Income internal transactions as measured by Omgeo Benchmarks.	90 percent = 0 93 percent = 1.0 95 percent = 1.5	99.33%

## Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

### Organizational Systems, Processes and Controls

Weight	Performance Measure
25%	<p>By June 30, 2012, drive implementation of specific Target Operating Model and rapid results initiatives to improve organization systems, processes and controls:</p> <ul style="list-style-type: none"> <li>• Master Custody Implementation</li> <li>• Risk Management System Implementation</li> <li>• Public Markets Portfolio Management System Implementation (operational and data phases)</li> <li>• Private Equity Valuation Oversight Model</li> <li>• Investment and Operational Compliance</li> <li>• Financial Reporting and Management Information</li> </ul> <p>Improve financial reporting/management information to enable cost reduction across INVO.</p>
<b>1<sup>st</sup> Quarter Status:</b> <ul style="list-style-type: none"> <li>• New master custody relationship is substantially implemented.</li> <li>• Risk management system on track and scheduled to go-live before year-end. System implementation status and reports have been presented to ISG.</li> <li>• Launched private equity infrastructure project to identify private equity accounting and information needs.</li> <li>• Hired SPM Investment Compliance and recruiting for team.</li> </ul>	

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## Investment Office Leadership and Management

Weight	Performance Measure
15%	<p><b><u>Enterprise-wide Leadership and Management</u></b>  By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> <li>• Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12.</li> <li>• Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012.</li> <li>• Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012.</li> <li>• Maintain a 90% EPAD completion rate.</li> <li>• Address and resolve all outstanding audit findings within 12 months of audit report.</li> <li>• Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12.</li> <li>• Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews.</li> <li>• Complete the Executive D&amp;I Development Journey course, including completion of all pre- and post-session work assignments.</li> <li>• Conduct at least two direct report team sessions on diversity and inclusion awareness.</li> <li>• Effectively manage all Operational resources within prescribed budget limits.</li> <li>• Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter</li> </ul> <p><b><u>Investment Office Leadership and Management</u></b>  By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> <li>• Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity.</li> <li>• Participating in training, communication, and recognition activities and events.</li> </ul> <p><b><u>Team Participation – Cross Asset Class Collaboration</u></b>  By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p>
<p><b>1<sup>st</sup> Quarter Status:</b></p> <ul style="list-style-type: none"> <li>• Completed Rapid Results projects on CIO Reporting, Board Reporting and Operating Event Escalation.</li> <li>• Launched 3 new Rapid Results projects.</li> <li>• Kicked off 2012-13 planning cycle with 2 day SIO Offsite and INVO Senior Leaders meeting.</li> </ul>	

## Enterprise-wide Initiatives and Collaboration

Weight	Performance Measure
5%	<p>By June 30, 2012, continue to improve collaboration between the Investment Office and other CalPERS divisions/branches, including enhancing the INVO IT working relationship, participating in development of the Enterprise Risk Management Framework and establishing the CalPERS CFO function.</p>
<p><b>1<sup>st</sup> Quarter Status:</b></p> <p>INVO is providing significant support to Board Governance effort, Personal Trading Policy development/implementation, and CFO Office implementation.</p>	